

The Economics of Land Use



Final Report

Complete Communities Survey: Funding and Financing Plan

Prepared for:

The County of San Luis Obispo

Prepared by:

Economic & Planning Systems, Inc.
with The Planning Center | DC&E and Rick Engineering Company

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*Economic & Planning Systems, Inc.
2501 Ninth Street, Suite 200
Berkeley, CA 94710-2257
510 841 9190 tel
510 841 9208 fax*

*Berkeley
Denver
Los Angeles
Sacramento*

www.epsys.com

EPS #21087

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1. EXECUTIVE SUMMARY AND KEY FINDINGS

The County of San Luis Obispo's Planning and Building Department is preparing a Complete Communities Survey to identify policies and strategies to achieve community-focused, compact development that use land, water, energy, and financial resources more efficiently. As part of the overall study, a Facilities Inventory was prepared which provides an overview of the conditions and capacity of the existing facilities and infrastructure in the communities of San Miguel, Nipomo, Templeton and Oceano. An assessment of future needs is provided in the Facilities Inventory, along with cost estimates.

Based on the Facilities Inventory, Economic & Planning Systems, Inc. (EPS) prepared this Funding and Financing Plan, which summarizes the costs of the improvements by facility type and by community. Existing and potential funding sources are identified and aligned by facility improvement type. The final chapter recommends funding policies and actions to implement the improvements identified in the Facilities Inventory.

Key Findings

1. The facility and infrastructure improvements identified for the communities of Nipomo, Oceano, Templeton and San Miguel will be costly and require a broad range of funding sources and financing mechanisms to construct and maintain.

Nearly \$505 million of capital improvement projects are identified across the four communities in the Facilities Inventory, nearly three-quarters of which are related to transportation improvements. Approximately \$154 million of improvements are identified for Nipomo, \$47 million for Oceano, \$276 million are identified for Templeton, and \$28 million for San Miguel. At the completion of this full set of improvements, the additional operations and maintenance costs will also be significant.

2. The facility and infrastructure improvements identified in the Facilities Inventory are an integral part of the County's efforts to revitalize and enhance the communities of San Miguel, Nipomo, Templeton and Oceano.

Investments in the "public realm" are a key aspect of the County's economic development efforts to revitalize the four communities. Investments in utilities, transportation infrastructure, streetscapes, parks and public facilities have been shown to induce private investment, development, and increased economic activity, where other key ingredients, such as market demand, are also present. This synergistic relationship between public and private investment typically builds upon itself creating a range of public and private benefits.

3. New development in the County will generate real estate value that serves as a basis of taxes and fees that can fund infrastructure improvements.

County development projections indicate the potential for significant new development in each of the communities between now and 2035. Land and development-based funding sources include development impact fees, road improvement fees, and special taxes or assessments. While development impact fees are used exclusively for capital improvements, special taxes and assessments may be used for capital improvements or ongoing maintenance and operations costs. Based on development projections through 2035, Public

Facility Development Impact Fees revenues could total nearly \$17 million. At \$54.3 million, public facility improvements will require additional funding sources. Approximately \$42 million of road improvement fees could be collected through 2035. Total street and highway improvements currently total \$302.7 million, so additional funding sources will need to be identified. Any identified improvements that are needed due to existing infrastructure deficiencies cannot be funded through impact fees or road improvement fees.

4. To fund existing deficiencies, a broad range of existing and new sources will be required.

Potential sources available to fund existing deficiencies may include a countywide sales tax increase, special taxes (e.g., Mello-Roos CFD), grants, utility revenues and revenue bonds among others. These will require careful evaluation as financial feasibility will need to be considered and some may require voter approval.

5. For each community, the facility and infrastructure improvements identified will need to be further prioritized and phased to improve feasibility.

Recognizing the considerable resources required to implement the complete set of facility improvements and significant funding constraints, strategic prioritization and phasing will be necessary to achieve the identified improvements. In October 2012, a public workshop was held that included exercises focusing on which community facilities should be prioritized through 2035. Furthermore, a Facilities Inventory Survey was sent to residents in each community that asked them to prioritize community facilities for the community. Additionally, there is likely to be a continuing process of refinement and updating to the basic infrastructure items and costs identified in the Facilities Inventory. Through this process, it may be possible to achieve cost savings and efficiencies.

6. The overall cost burden placed on new development in the County affects development feasibility, particularly when all development costs are considered.

The cumulative effect of fees/exactions/requirements will need to be carefully considered to avoid discouraging new development, as development is a principal mechanism for funding identified improvements and meeting other County objectives.

7. Funding goals, policies and actions should be adopted to guide the implementation of the infrastructure and facility improvements identified in the Facilities Inventory.

This report recommends funding goals and associated implementation policies, which can serve as a basis for an efficient and equitable financing plan. In addition, the County has adopted by resolution in 2010 an Infrastructure Planning and Funding Policy, which can guide infrastructure funding and investments. The goals, policies and actions contained herein are consistent with, and expand upon, adopted County policies.

Figure 1 Map of San Luis Obispo County CCS Communities
[Nerissa, you can borrow from last pdf]

2. OVERVIEW OF COMMUNITIES

This chapter provides a summary of each community's demographic characteristics, new development potential, and facility needs and costs. The County of San Luis Obispo maintains population and housing unit counts and has estimated the buildout potential of each of the four communities and prepared development projections by land use type. Buildout projections reflect current zoning capacity and are summarized below. Development potential through 2035 is based on the 2035 population projections as a percentage of buildout population.

An overview of each community's infrastructure and facility needs and costs based on the Facilities Inventory prepared by Rick Engineering for the Complete Communities Survey. In **APPENDIX A**, infrastructure improvements and costs are presented for each community. Improvements are organized by community, by type of improvement, and whether they address an existing deficiency or are attributable to future growth, as these distinctions have implications for funding potential. Priorities for each community are also discussed based on community input received during public workshops held in October 2012 and mailed surveys to residents in each community. Additional information about improvement priorities will be provided in each community's Community Profile to be prepared by The Planning Center | DC&E.

Routine street maintenance is included in the Facilities Inventory, and although it is a significant cost item for the County (estimated at approximately \$6.75 million to \$8.86 million per year), it is not a capital improvement and, therefore, is addressed separately.

San Miguel

Demographics and Development Trends

San Miguel is a community in northern San Luis Obispo County with a current population of approximately 2,300 people. The population is projected to increase by 43 percent to 3,300 people by 2035, equivalent to an annual growth rate of 1.4 percent. There are approximately 686 housing units in San Miguel currently, with approximately 3.4 people per dwelling unit. Assuming this current ratio of people per dwelling unit remains consistent over time, there will be approximately 980 housing units in San Miguel in 2035.

Of San Miguel's employed residents, approximately 97 percent commute outside of San Miguel. There are approximately 170 jobs in the community. New residential development and facility improvements could encourage investment in commercial development, which would bring additional jobs to the community.

Table 1 Population, Households and Jobs in San Miguel

Item	2010	2020	2035	2010 to 2035		
				Number	Annual Rate	Overall Increase
San Miguel						
Population	2,337	2,640	3,338	1,001	1.4%	42.8%
Housing Units	686	774	979	293	1.4%	42.7%
Jobs [1]	170					

[1] Job count reflects "Primary Jobs" as extracted from the U.S. Census' LED on the Map, 2010 data.

Sources: San Luis Obispo County 2011 Population Projection: Midrange Growth Scenario; U.S. Census Bureau, Center for Economic Studies; Economic & Planning Systems, Inc.

The community of San Miguel is zoned to provide capacity for 1,234 new residential units, 61 percent single-family and 39 percent multifamily. The 2035 residential projections are well within the buildout capacity of the community.

New nonresidential development is estimated to occur at the same rate as population growth due to increased demand. It is estimated that by 2035 the Community of San Miguel will see development of approximately 5,100 square feet of new office space, 44,000 square feet of new retail space, 6,800 square feet of new service commercial space, and minimal new industrial space.

Table 2 San Miguel Development Potential

Land Use Category	San Miguel - through 2035 [1]		
	2010	New Development	2035
Residential (units)			
Single Family	419	152	571
Multifamily	223	122	345
Other [2]	44	19	63
Total, Residential	686	293	979
Commercial (sq.ft.)			
Office	11,827	5,066	16,893
Retail	102,613	43,952	146,565
Service	15,784	6,761	22,545
Industrial [3]	0	n/a	n/a

[1] EPS estimated the amount of potential commercial development through 2035 by taking existing square footage by land use type and applying the population increase percentage between 2010 and 2035 of each community.

[2] Other is "Residential in Non-Residential Category" according to County Projections.

[3] Buildout projections estimate a negligible amount of industrial development (approximately 1,400 square feet).

Sources: County of San Luis Obispo; Economic & Planning Systems, Inc.

Facility Needs and Costs

The Facilities Inventory identified \$28 million of facility needs between now and 2035 in San Miguel, nearly 40 percent of which are attributable to existing deficiencies, while the remainder will be required to meet the demands of new population growth. Together, transportation and stormwater improvements represent \$22 million, or 81 percent of total facility costs. Sidewalk cost estimates are shown in detail in **Appendix B**. The stormwater improvements are particularly critical. Due to insufficient drainage and stormwater controls, the community of San Miguel experiences regular flooding conditions, particularly between Mission Street and the railroad.

Table 3 San Miguel Capital Improvement Program Summary

Category	Costs Attributable to Existing Deficiencies	Costs Attributable to New Growth (through 2035)	Total Costs
Utility Infrastructure	\$3,723,000	\$7,750,500	\$11,473,500
Transportation [1]			
Street & Highway Systems	\$2,096,000	\$5,200,000	\$7,296,000
Sidewalks [2]	\$1,879,006	\$1,130,372	\$3,009,378
Other Transportation	\$0	\$820,000	\$820,000
Subtotal, Transportation	\$3,975,006	\$7,150,372	\$11,125,378
Public Facilities	\$2,600,000	\$2,617,000	\$5,217,000
Total	\$10,298,006	\$17,517,872	\$27,815,878

[1] With the exception of sidewalk costs, transportation costs attributable to existing deficiencies have been estimated as \$0 due to how the County of San Luis Obispo Department of Public Works defines a transportation deficiency. A traffic fee program was adopted for the Community of San Miguel in 2006 to fund future transportation related infrastructure projects needed to serve anticipated population growth trends. If a roadway or intersection is operating below a LOS C (rural) and LOS D (urban) at the time of the adoption of the traffic fee program, that facility is considered to have an existing deficiency. At the time of adoption of the traffic fee program, there were no facilities operating at a LOS C (rural) and LOS D (urban) and therefore the existing deficiencies are listed as \$0.

[2] These estimates do not include sidewalks for the Residential Suburban category because although sidewalks are required for new residential subdivisions, they have not been historically required in rural residential areas and are not required with individual construction permits. The Facilities Inventory indicates 3.6 miles of sidewalk are needed through 2035 to serve existing and new Residential Suburban development in the Community of San Miguel. This estimate is inclusive of sidewalk miles that are needed due to existing deficiencies as well as sidewalk miles needed to accommodate future growth. While developers will be required to fund sidewalk improvements due to new growth, the Community of San Miguel will need to determine how much of the existing deficiency it is a priority to provide. The Facilities Inventory does not indicate what percentage of future RS sidewalk miles are needed to serve existing deficiencies versus new growth. However, if the Community were to prioritize the provision of 5 percent of the required RS sidewalk miles (assuming that the existing deficiency is at least that), that would result in total costs of \$24,000 through 2020 and \$54,000 between 2020 and 2035.

Sources: County of San Luis Obispo Facilities Inventory, 2012; Economic & Planning Systems, Inc.

Utility Infrastructure

The Facilities Inventory indicates that \$11.5 million of utility infrastructure improvements are needed in San Miguel to remedy existing deficiencies and support new growth through 2035, including \$3.7 million to fund existing stormwater deficiencies. Required improvements include water supply, water distribution, wastewater and stormwater improvements.

The Facilities Inventory reports that the community will face water supply shortfalls by 2040 (assumed 2035 for this analysis) and the estimated cost of a new well is \$287,500. Stormwater improvements represent an immediate concern. Of the \$5.1 million in required stormwater infrastructure improvements, \$3.7 million are attributable to existing deficiencies and include storm drain pipes, jack and bore operations under the railroad, and drainage ditches and outfall structures. In the longer term, curb and gutter improvements are needed throughout the community.

Transportation

Required transportation improvements include street and highway systems, sidewalks and streetscapes. Street and highway systems improvements, such as the widening of River Road, Mission Street traffic signals, and Highway 101 intersection and interchange improvements, represent the second most costly facility (behind utility infrastructure) needs at a total estimated cost of \$11.1 million (40 percent of the total needs/costs identified for San Miguel). The River Road widening project is estimated to cost \$2.1 million and was to have been completed by 2010. A funding gap of \$922,000 has put the project on hold according to the Facilities Inventory (Table 2-8).

Public Facilities

Public facilities in San Miguel include fire and Community Services District (CSD) buildings, parks and open space, a library, civic/community facilities, senior and health care facilities, and a public school. In San Miguel, identified public facilities improvements include public parks and open space, an expansion to the North County (San Miguel/Templeton) Sheriff station, and a library expansion.

- The County Sheriff has indicated that additional space will be needed at the North County Station by 2035 when it is fully staffed. Approximately 6,000 square feet of space would be needed for a locker room, report writing room, and work stations at an estimated cost of approximately \$1.5 million (to be shared between San Miguel and Templeton).¹
- There are existing deficiencies related to public parks and open space. Of \$3.7 million identified improvements, \$2.3 million are attributable to existing deficiencies.

Community Priorities

On October 4, 2012, a public workshop was held that included exercises focusing on which community facilities should be prioritized through 2035. Furthermore, a Facilities Inventory Survey was sent to San Miguel residents that asked them to prioritize community facilities for the community.

¹ Estimate is based on a conversation between County staff and Rob Reid of the Sheriff's Office.

The highest ranking priorities for San Miguel according to input from the Community Workshop and Survey are as follows:

- Water Systems
- Sewer Systems
- Streetscape Improvements
- Park and Ride Lots
- Schools
- Water Supply
- Storm Drainage
- Fire and Police Buildings

Based on this input, it is recommended that San Miguel's infrastructure be a high priority. The community members that participated in the workshop identified the water system and a secure water supply as priorities. It is also recommended that drainage systems be prioritized since San Miguel lacks drainage and stormwater control systems in many areas, which workshop participants indicated results in flood hazards.

In addition to infrastructure, public safety buildings should be prioritized. A police substation was identified a high priority in the workshop. San Miguel currently receives police services from a Sheriff Patrol station in Templeton.

Templeton

Demographics and Development Trends

Templeton is a community in San Luis Obispo County, located approximately mid-way between the county border to the north and the City of San Luis Obispo to the south. Templeton has a current population of approximately 7,000 people. The population is projected to grow by 1.1 percent per year for an overall increase of 31 percent to 9,100 people by 2035. There are approximately 2,580 housing units in Templeton currently, with approximately 2.7 people per dwelling unit. Assuming this current ratio of people per dwelling unit remains consistent over time, there will be approximately 3,380 housing units in Templeton in 2035.

There are approximately 3,100 jobs in the community. Of Templeton's employed residents, approximately 90 percent commute outside of Templeton.

Table 4 Population, Households and Jobs in Templeton

Item	2010	2020	2035	2010 to 2035		
				Number	Annual Rate	Overall Increase
Templeton						
Population	6,976	7,739	9,128	2,152	1.1%	30.8%
Housing Units	2,580	2,866	3,381	801	1.1%	31.0%
Jobs [1]	3,133					

[1] Job count reflects "Primary Jobs" as extracted from the U.S. Census' LED on the Map, 2010 data.

Sources: San Luis Obispo County 2011 Population Projection: Midrange Growth Scenario; U.S. Census Bureau, Center for Economic Studies; Economic & Planning Systems, Inc.

The community of Templeton is zoned to provide capacity for 776 new residential units, 75 percent single-family and 25 percent multifamily. The 2035 residential projections estimate 801 new units between 2010 and 2035, which exceed the planned buildout capacity at this time.

New nonresidential development is estimated to occur at the same rate as population growth due to increased demand. In the community of Templeton, approximately 128,200 square feet of new office space, 48,500 square feet of new retail space, 78,900 square feet of new service commercial space, and 78,600 square feet of new industrial space is projected by 2035.

Table 5 Templeton Development Potential

Land Use Category	Templeton - through 2035 [1]		
	2010	New Development	2035
Residential (units)			
Single Family	2,083	570	2,653
Multifamily	382	195	577
Other [2]	<u>115</u>	<u>36</u>	<u>151</u>
Total, Residential	2,580	801	3,381
Commercial (sq.ft.)			
Office	415,428	128,154	543,582
Retail	157,258	48,512	205,770
Service	255,612	78,853	334,465
Industrial	254,750	78,587	333,337

[1] EPS estimated the amount of potential commercial development through 2035 by taking existing square footage by land use type and applying the population increase percentage between 2010 and 2035 of each community.

[2] Other is "Residential in Non-Residential Category" according to County Projections.

Sources: County of San Luis Obispo; Economic & Planning Systems, Inc.

Facility Needs and Costs

The Facilities Inventory identified \$276 million of facility needs between now and 2035 in Templeton, nearly 3 percent of which are attributable to existing deficiencies. At \$265.5 million, or 96 percent, transportation improvements represent the largest component of total costs. Sidewalk cost estimates are shown in detail in **Appendix B**.

Table 6 Templeton Capital Improvement Program Summary

Category	Costs Attributable to Existing Deficiencies	Costs Attributable to New Growth (through 2035)	Total Costs
Utility Infrastructure	\$2,000,000	\$777,000	\$2,777,000
Transportation [1]			
Street & Highway Systems	\$0	\$245,200,000	\$245,200,000
Sidewalks [2]	\$2,775,265	\$4,013,886	\$6,789,151
Other Transportation	\$0	\$13,550,000	\$13,550,000
Subtotal, Transportation	\$2,775,265	\$262,763,886	\$265,539,151
Public Facilities	\$2,920,000	\$4,510,000	\$7,430,000
Total	\$7,695,265	\$268,050,886	\$275,746,151

[1] With the exception of sidewalk costs, transportation costs attributable to existing deficiencies have been estimated as \$0 due to how the County of San Luis Obispo Department of Public Works defines a transportation deficiency. A traffic fee program was adopted for the Community of Templeton in 1991 to fund future transportation related infrastructure projects needed to serve anticipated population growth trends. If a roadway or intersection is operating below a LOS C (rural) and LOS D (urban) at the time of the adoption of the traffic fee program, that facility is considered to have an existing deficiency. At the time of adoption of the traffic fee program, there were no facilities operating at a LOS C (rural) and LOS D (urban) and therefore the existing deficiencies are listed as \$0.

[2] These estimates do not include sidewalks for the Residential Suburban category because although sidewalks are required for new residential subdivisions, they have not been historically required in rural residential areas and are not required with individual construction permits. However, the Facilities Inventory indicates 25.8 miles of sidewalk are needed through 2035 to serve existing and new Residential Suburban development in the Community of Templeton. This estimate is inclusive of sidewalk miles that are needed due to existing deficiencies as well as sidewalk miles needed to accommodate future growth. While developers will be required to fund sidewalk improvements due to new growth, the Community of Templeton will need to determine how much of the existing deficiency it is a priority to provide. The Facilities Inventory does not indicate what percentage of future RS sidewalk miles are needed to serve existing deficiencies versus new growth. However, if the Community were to prioritize the provision of 5 percent of the required RS sidewalk miles (assuming that the existing deficiency is at least that), that would result in total costs of \$197,000 through 2020 and \$362,000 between 2020 and 2035.

Sources: County of San Luis Obispo Facilities Inventory, 2012; Economic & Planning Systems, Inc.

Utility Infrastructure

The Facilities Inventory indicates that \$2.8 million of utility infrastructure improvements are needed in Templeton to remedy existing deficiencies and support new growth through 2035, including \$2.0 million to fund existing stormwater deficiencies. Required improvements include wastewater and stormwater improvements.

Stormwater improvements represent an immediate concern. Improvements that are needed now include new detention basins, culvert upgrades, storm drain upgrades, vegetation maintenance, sediment removal and channel widening. No improvements beyond those needed currently were identified.

Transportation

Required transportation improvements are very significant and include street and highway systems, sidewalks and streetscapes. Street and highway systems improvements, many of which are related to Highway 101, represent the most costly facility needs at a total estimated cost of \$245.2 million (89 percent of the total needs/costs identified for Templeton).

Public Facilities

Public facilities in Templeton include fire and police buildings, parks and open space, trails, a library, civic/community facilities, senior and health care facilities and schools. In Templeton, identified public facilities improvements include public parks and open space, an expansion to the North County (San Miguel/Templeton) Sheriff station, a new 13,000 square-foot fire station, a new 5,000 square-foot TCSD fire station, and a library expansion.

- The County Sheriff has indicated that additional space will be needed at the North County Station by 2035 when it is fully staffed. Approximately 6,000 square feet of space would be needed in the locker room, report writing room, and work stations at an estimated cost of approximately \$1.5 million (to be shared between San Miguel and Templeton).²
- The new 13,000 square-foot fire station is estimated to cost between \$7 and \$10.25 million (based on per square foot costs of \$500 to \$750 and including land acquisition). The costs of the station are to be shared between San Miguel and Templeton.³
- The TCSD fire chief has indicated a need for a second station of approximately 5,000 square feet (the existing TCSD fire station is located at 206 5th Street). The new 5,000 square-foot CSD building is estimated to cost between \$3 and \$4.25 million and the cost is allocated entirely to Templeton.
- There are existing deficiencies related to libraries. Of \$3.8 million identified library improvements, \$2.9 million are attributable to existing deficiencies.

Community Priorities

On October 4, 2012, a public workshop was held that included exercises focusing on which community facilities should be prioritized over the next approximately 20 years. Furthermore a Facilities Inventory Survey was sent to Templeton residents that asked them to prioritize community facilities for the community.

The highest ranking priorities for Templeton according to input from the Community Workshop and Survey are as follows:

- Water systems
- Streetscape Improvements
- Park and Ride Lots
- Water Supply

² Estimate is based on a conversation between County staff and Rob Reid of the Sheriff's Office.

³ Estimate is based on the CalFire Strategic Plan and a conversation between County staff and Rob Lewin with CalFire.

- Sewer system
- Storm Drainage
- Schools
- Streets
- Parks
- Non-Motorized Transportation

It is recommended that Templeton's infrastructure be a high priority.

Workshop results indicate that improving water supply and distribution systems is the most urgent need and concern in Templeton. Templeton's drainage system should also be prioritized since the community lacks a formal drainage system and flood control infrastructure, especially in areas adjacent to Highway 101. The street system was also a high priority feature as identified by community members.

Nipomo

Demographics and Development Trends

Of the four communities surveyed as part of this study, Nipomo is the largest. Located in southern San Luis Obispo County, Nipomo has a current population of approximately 15,300 people. The population is projected to grow by 1.1 percent per year for an overall increase of 31 percent to 20,000 people by 2035. There are approximately 5,000 housing units in Nipomo currently, with approximately 3.0 people per dwelling unit. Assuming this current ratio of people per dwelling unit remains consistent over time, there will be approximately 6,600 housing units in Nipomo in 2035.

There are approximately 1,940 jobs in the community of Nipomo. Of Nipomo's employed residents, approximately 92 percent commute outside of Nipomo.

Table 7 Population, Households and Jobs in Nipomo

Item	2010	2020	2035	2010 to 2035		
				Number	Annual Rate	Overall Increase
Nipomo						
Population	15,267	16,752	19,926	4,659	1.1%	30.5%
Housing Units	5,038	5,529	6,576	1,538	1.1%	30.5%
Jobs [1]	1,939					

[1] Job count reflects "Primary Jobs" as extracted from the U.S. Census' LED on the Map, 2010 data.

Sources: San Luis Obispo County 2011 Population Projection: Midrange Growth Scenario; U.S. Census Bureau, Center for Economic Studies; Economic & Planning Systems, Inc.

The community of Nipomo is zoned to provide capacity for 2,635 new residential units, 76 percent single-family and 24 percent multifamily. The 2035 residential projections are well within the buildout capacity of the community.

New nonresidential development is estimated to occur at the same rate as population growth due to increased demand. In the community of Nipomo, approximately 15,300 square feet of new

office space, 68,200 square feet of new retail space, and 33,300 square feet of new service commercial space is projected by 2035. No new industrial development is projected.

Table 8 Nipomo Development Potential

Land Use Category	Nipomo - through 2035 [1]		
	2010	New Development	2035
Residential (units)			
Single Family	4,037	1,088	5,125
Multifamily	872	411	1,283
Other [2]	<u>129</u>	<u>39</u>	<u>168</u>
Total, Residential	5,038	1,538	6,576
Commercial (sq.ft.)			
Office	50,127	15,297	65,424
Retail	223,449	68,189	291,638
Service	109,124	33,301	142,425
Industrial	0	0	0

[1] EPS estimated the amount of potential commercial development through 2035 by taking existing square footage by land use type and applying the population increase percentage between 2010 and 2035 of each community.

[2] Other is "Residential in Non-Residential Category" according to County Projections.

Sources: County of San Luis Obispo; Economic & Planning Systems, Inc.

Facility Needs and Costs

The Facilities Inventory identified \$154 million of facility needs between now and 2035 in Nipomo, nearly 20 percent of which are attributable to existing deficiencies. At \$81 million, or 53 percent, transportation improvements represent the largest component of total costs. Sidewalk cost estimates are shown in detail in **Appendix B**.

Table 9 Nipomo Capital Improvement Program Summary

Category	Costs Attributable to Existing Deficiencies	Costs Attributable to New Growth (through 2035)	Total Costs
Utility Infrastructure	\$8,000,000	\$40,020,000	\$48,020,000
Transportation [1]			
Street & Highway Systems	\$0	\$50,200,000	\$50,200,000
Sidewalks [2]	\$6,358,143	\$4,714,285	\$11,072,428
Other Transportation	\$0	\$19,900,000	\$19,900,000
Subtotal, Transportation	\$6,358,143	\$74,814,285	\$81,172,428
Public Facilities	\$14,500,000	\$10,350,000	\$24,850,000
Total	\$28,858,143	\$125,184,285	\$154,042,428

[1] With the exception of sidewalk costs, transportation costs attributable to existing deficiencies have been estimated as \$0 due to how the County of San Luis Obispo Department of Public Works defines a transportation deficiency. A traffic fee program was adopted for the Community of Nipomo in 1989 to fund future transportation related infrastructure projects needed to serve anticipated population growth trends. If a roadway or intersection is operating below a LOS C (rural) and LOS D (urban) at the time of the adoption of the traffic fee program, that facility is considered to have an existing deficiency. At the time of adoption of the traffic fee program, there were no facilities operating at a LOS C (rural) and LOS D (urban) and therefore the existing deficiencies are listed as \$0.

[2] These estimates do not include sidewalks for the Residential Suburban category because although sidewalks are required for new residential subdivisions, they have not been historically required in rural residential areas and are not required with individual construction permits. However, the Facilities Inventory indicates 65.1 miles of sidewalk are needed through 2035 to serve existing and new Residential Suburban development in the Community of Nipomo. This estimate is inclusive of sidewalk miles that are needed due to existing deficiencies as well as sidewalk miles needed to accommodate future growth. While developers will be required to fund sidewalk improvements due to new growth, the Community of Nipomo will need to determine how much of the existing deficiency it is a priority to provide. The Facilities Inventory does not indicate what percentage of future RS sidewalk miles are needed to serve existing deficiencies versus new growth. However, if the Community were to prioritize the provision of 5 percent of the required RS sidewalk miles (assuming that the existing deficiency is at least that), that would result in total costs of \$448,000 through 2020 and \$961,000 between 2020 and 2035.

Sources: County of San Luis Obispo Facilities Inventory, 2012; Economic & Planning Systems, Inc.

Utility Infrastructure

The Facilities Inventory indicates that \$48 million of utility infrastructure improvements are needed in Nipomo to remedy existing deficiencies and support new growth through 2035, including \$8 million to fund existing stormwater deficiencies. Required improvements include water distribution, wastewater and stormwater improvements.

Stormwater improvements represent an immediate concern. Improvements that are needed now include new detention/infiltration facilities, new culverts and/or underground storm drain facilities, and raising local roads. The Facilities Inventory reports that \$1.8 million State of

California Department of Water Resources grant has already been secured. No improvements beyond those needed currently were identified.

Transportation

Required transportation improvements are significant and include street and highway systems, sidewalks, streetscapes, bicycle lanes and paths, and park-and-ride lots. At \$50.2 million, street and highway systems improvements represent 62 percent of Nipomo's transportation related facility needs and costs.

Public Facilities

Public facilities in Nipomo include fire and police buildings, parks and open space, a library, civic/community facilities, senior and health care facilities, a public school and several private schools. In Nipomo, identified public facilities improvements include a replacement County Sheriff station, public parks and open space, a new fire station, and libraries.

- The County Sheriff proposes a 7,000 square foot replacement station by 2035 at a cost of \$1.75 million (\$250 per square foot).⁴
- Discussions with CalFire/San Luis Obispo County staff indicate a new 13,000 square foot fire station is needed by 2035 at an estimated cost of between \$7 and \$10.25 million (assuming per square foot construction costs of \$500 to \$750 and including land acquisition costs).⁵
- There are existing deficiencies related to both public parks and open space and libraries. Of \$17.6 million identified parks and open space improvements, \$10.9 million are required due to existing deficiencies. Of \$5.5 million identified library improvements, \$3.6 million are attributable to existing deficiencies.

Community Priorities

On October 3, 2012, a public workshop was held that included exercises focusing on which community facilities should be prioritized over the next approximately 20 years. Furthermore a Facilities Inventory Survey was sent to Nipomo residents that asked them to prioritize community facilities for the community.

The highest ranking priorities for Nipomo according to input from the Community Workshop and Survey are as follows:

- Water Systems
- Street and Highway Systems
- Schools
- Sidewalks
- Trail Connectivity
- Fire and Police Buildings

⁴ Estimate is based on a conversation between County staff and Rob Reid of the Sheriff's Office.

⁵ Estimate is based on the CalFire Strategic Plan and a conversation between County staff and Rob Lewin with CalFire.

- Senior and Homeless Facilities
- Community Center

It is recommended that Nipomo's infrastructure be a high priority.

Construction of a police substation in Nipomo was also identified as a major priority. Nipomo currently receives police services from a Sheriff Patrol station in Oceano. It was also recommended by workshop participants that senior and community center facilities be prioritized.

Currently, Nipomo has no community center even though its population is growing, particularly the senior population.

Oceano

Demographics and Development Trends

Oceano is a community located in southern San Luis Obispo County, right along the Pacific Ocean. Oceano has a current population of approximately 7,100 people. The population is projected to grow by 0.95 percent per year for an overall increase of 27 percent to 9,000 people by 2035. There are approximately 2,900 housing units in Oceano currently, with approximately 2.4 people per dwelling unit. Assuming this current ratio of people per dwelling unit remains consistent over time, there will be approximately 3,700 housing units in Oceano in 2035. There are approximately 700 jobs in the community of Oceano. Of Oceano's employed residents, approximately 95 percent commute outside of Oceano.

Table 10 Population, Households and Jobs in Oceano

Item	2010	2020	2035	2010 to 2035		
				Number	Annual Rate	Overall Increase
Oceano						
Population	7,108	7,799	9,001	1,893	0.9%	26.6%
Housing Units	2,931	3,209	3,704	773	0.9%	26.4%
Jobs [1]	699					

[1] Job count reflects "Primary Jobs" as extracted from the U.S. Census' LED on the Map, 2010 data.

Sources: San Luis Obispo County 2011 Population Projection: Midrange Growth Scenario; U.S. Census Bureau, Center for Economic Studies; Economic & Planning Systems, Inc.

The community of Oceano is zoned to provide capacity for 828 new residential units, 22 percent single-family and 78 percent multifamily. The residential buildout capacity of the community is only moderately greater than the 2035 residential projections.

Limited new commercial development is projected for Oceano, as nonresidential development is estimated to occur at the same rate as population growth due to increased demand. In the community of Oceano, 17,900 square feet of new retail space, 16,200 square feet of new service commercial space, and 20,100 square feet of new industrial space is projected by 2035. No new office space is projected.

Table 11 Oceano Development Potential

Land Use Category	Oceano - through 2035 [1]		
	2010	New Development	2035
Residential (units)			
Single Family	915	157	1,072
Multifamily	1,861	576	2,437
Other [2]	<u>155</u>	<u>41</u>	<u>196</u>
Total, Residential	2,931	773	3,704
Commercial (sq.ft.)			
Office	0	0	0
Retail	67,136	17,880	85,016
Service	60,892	16,217	77,109
Industrial	75,607	20,136	95,743

[1] EPS estimated the amount of potential commercial development through 2035 by taking existing square footage by land use type and applying the population increase percentage between 2010 and 2035 of each community.

[2] Other is "Residential in Non-Residential Category" according to County Projections.

Sources: County of San Luis Obispo; Economic & Planning Systems, Inc.

Facility Needs and Costs

The Facilities Inventory identified \$47 million of facility needs between now and 2035 in Oceano, more than 68 percent of which are attributable to existing deficiencies. Costs are approximately evenly spread between utility infrastructure improvements (\$16.8 million), transportation improvements (\$13.6 million), and public facilities improvements (\$16.9 million). Sidewalk cost estimates are shown in detail in **Appendix B**.

Table 12 Oceano Capital Improvement Program Summary

Category	Costs Attributable to Existing Deficiencies	Costs Attributable to New Growth (through 2035)	Total Costs
Utility Infrastructure	\$14,000,000	\$2,778,000	\$16,778,000
Transportation			
Street & Highway Systems	\$0	\$0	\$0
Sidewalks [1]	\$6,588,317	\$2,165,146	\$8,753,464
Other Transportation	\$0	\$4,840,000	\$4,840,000
Subtotal, Transportation	\$6,588,317	\$7,005,146	\$13,593,464
Public Facilities	\$11,600,000	\$5,250,000	\$16,850,000
Total	\$32,188,317	\$15,033,146	\$47,221,464

[1] These estimates do not include sidewalks for the Residential Suburban category because the Residential Suburban category does not exist in Oceano.

Sources: County of San Luis Obispo Facilities Inventory, 2012; Economic & Planning Systems, Inc.

Utility Infrastructure

The Facilities Inventory indicates that \$17 million of utility infrastructure improvements are needed in Oceano to remedy existing deficiencies and support new growth through 2035, including \$14 million to fund existing stormwater deficiencies. Required improvements include water distribution and stormwater improvements.

Stormwater improvements represent an immediate concern. Improvements that are needed now include new regional detention/infiltration facilities, a diversion pipeline at Highway 1, curbs and gutters, Arroyo Grande Creek Levee Protection, and sand bar management and Meadow Creek Lagoon flood mitigation. No improvements beyond those needed currently were identified.

Transportation

Required transportation improvements are of significance and include sidewalks, streetscapes, and bicycle lanes and paths. At \$8.8 million, sidewalk improvements represent 64 percent of Oceano's transportation related facility needs and costs.

Public Facilities

Public facilities in Oceano include fire and police buildings, parks and open space, trails, a library, civic/community facilities, senior and health care facilities and schools. In Oceano, identified public facilities improvements include a replacement County Sheriff station, an expansion to the CSD fire station, public parks and open space, and libraries.

- The County Sheriff proposes a 7,000 square foot replacement station by 2035 at a cost of \$1.75 million (\$250 per square foot).⁶

⁶ Estimate is based on a conversation between County staff and Rob Reid of the Sheriff's Office.

- There are existing deficiencies related to both public parks and open space and libraries. Of \$12.2 million identified parks and open space improvements, \$9.5 million are required due to existing deficiencies. Of \$2.9 million identified library improvements, \$2.1 million are attributable to existing deficiencies.
- The Oceano CSD proposes an additional 2,500 square feet of living quarters above the existing fire station at an estimated cost of between \$1.25 and \$1.87 (assuming per square foot construction costs of between \$500 and \$750). No additional land acquisition costs are required.⁷

Community Priorities

On October 3, 2012, a public workshop was held that included exercises focusing on which community facilities should be prioritized over the next approximately 20 years. Furthermore a Facilities Inventory Survey was sent to Oceano residents that asked them to prioritize community facilities for the community.

The highest ranking priorities for Oceano according to input from the Community Workshop and Survey are as follows:

- Water Systems
- Street and Highway Systems
- Streetscape Improvements
- Schools
- Sewer Systems
- Sidewalks
- Parks and Park Access

It is recommended that Oceano's infrastructure be a high priority.

Expansion of the fire station in Oceano was also identified as a major priority. It was also recommended by workshop participants that sidewalks and trails be prioritized to improve pedestrian safety.

Community Workshop participants suggested improving sidewalk surfaces and connectivity.

⁷ Estimate is based on the CalFire Strategic Plan and a conversation between County staff and Rob Lewin with CalFire.

3. FUNDING AND FINANCING MECHANISMS

There are a number of funding sources and financing mechanisms that can be applied to fund the capital infrastructure and facility improvements identified in the Facilities Inventory. Many are already in place, while others represent potential options for consideration. They are described in more detail below.

Whether a particular funding source is appropriate for a given improvement will depend on a number of factors, such as the type of improvement, whether the improvement is needed to address existing deficiencies or serve new development, how the combined burden of fees and/or assessments and taxes affect development feasibility, and the timing of funds versus the need for improvements.

Sources of Funds by Type of Improvement

Utility Infrastructure

Utility infrastructure improvements include water supply, water distribution, wastewater, stormwater, and solid waste improvements.

- The County's Infrastructure and Facilities Five Year Capital Improvement Plan (CIP) includes public infrastructure projects, such as water and wastewater systems, which are typically funded with revenues collected by Community Service Districts (CSDs) from connection fees, rates and charges to system customers and grants or loans from State or Federal sources. CSD projects are not included in the County's CIP.
- Localized drainage projects have historically been funded through General Flood Control District reserve funds. For larger drainage projects, assessment districts have been established, and the revenues have been used to leverage Federal FEMA funds and State Proposition 1E Funds.
- Local Area Development Impact Fees focused on utility infrastructure could be established, though this would need to be evaluated in the context of the existing Public Facility Impact Fees to ensure a reasonable cost burden.
- A special assessment to fund stormwater and drainage improvements could be considered.

Transportation

Transportation improvements include street and highway system improvements, sidewalks, streetscapes, bicycle lanes and paths, public transit systems, and park-and-ride lots.

- Those projects with regional benefit, such as street and highway systems, public transit systems and park-and-ride lots can be funded through the County's Capital Projects and General Obligation Bonds.
- Road improvement fees are collected in San Miguel, Templeton and Nipomo to fund improvements that mitigate the effects of new development and new growth. Road improvement fees cannot be used for maintenance, although periodic and comprehensive rehabilitation projects may be an appropriate use of these fees. In order to be in the

circulation study, a project must have a nexus to land development projects that pay into it. Road improvement fees are used only to fund cumulative mitigation. Between the three communities, approximately \$42 million could be collected through 2035, although the revenue must be invested in the area from which it was collected. If a project is to receive funding, it must be identified in the community's circulation study. Total street and highway improvements currently total \$303 million, so additional funding sources will need to be identified. Road improvement fees could be collected in Oceano through the formation of a Road Improvement Fee (RIF) area; a Circulation Study would need to be prepared.

- For projects on principal roadways, sidewalk costs potentially could be funded through grants provided through the Congestion Mitigation and Air Quality (CMAQ) Improvement Program or the Safe Routes to School program, which is administered by Caltrans. The CMAQ Program was created in 1991 under the Intermodal Surface Transportation Efficiency Act (ISTEA) to fund transportation related projects that are designed to reduce traffic congestion and improve air quality in areas that do not meet air quality standards. Pedestrian and bicycle projects are eligible. The Safe Routes to School program is designed to encourage more children to walk or ride bikes to school by reducing the barriers to doing so, such as a lack of infrastructure or unsafe infrastructure.
- Those improvements that relate directly to the new development (e.g., sidewalks and some streetscape improvements) currently are funded by the developer as part of the new development. Retrofitting sidewalks within existing neighborhoods will likely require some form of property assessment.
- Community Development Block Grants (CDBG) may also be a source of funding for some sidewalk improvements for low-income communities.

Public Facilities

Public facilities improvements include public parks and open space, trails, schools, libraries, community/civic facilities, public service facilities, and public safety buildings.

- The County has already established Public Facility Development Impact Fees for Government, Administration, Sheriff, Parks, Library, and Fire. The fees collected cannot exceed new development's fair share allocation, and therefore, are not available to fund improvements that are required due to existing deficiencies. Based on development potential through 2035, Public Facility Development Impact Fees could total approximately \$16.8 million. With an identified need of \$54.3 million, public facility improvements will require the identification of additional funding sources.
- Quimby Fees can be used for the purchase of new parklands and/or the construction of new parks-related facilities or rehabilitation/restoration of existing park lands and facilities. Quimby Fees apply only to subdivisions and are charged according to Area. San Miguel and Templeton are in Area 1 and Oceano and Nipomo are in Area 4.
- According to the County's Infrastructure and Facilities Capital Improvement Plan, Board policy states that library projects are expected to be funded with 50 percent of the cost coming from the community in which the library improvements are proposed. The library component of the Public Facility Fee revenue is pledged to the Atascadero and Cambria

library projects for the next 10 or more years, and as such, will not be available to fund expansions or improvements in other communities.⁸

- Other non-project funding may include grants, which may be available to fund a wide spectrum of public facilities, from trail improvements to transit-related improvements.

Street Maintenance

Street maintenance needs are described in the Facilities Inventory as well as in the San Luis Obispo County Pavement Management Plan (typically updated annually). The Facilities Inventory reports that \$6.75 million per year is needed to maintain the countywide road system at the current level through 2018. To improve the road system to the desired condition (Pavement Condition Index (PCI) of 70), annual improvement costs of \$8.75 would be required. Of the 1,080 County-maintained road miles in the County⁹, 1.1 percent are in San Miguel, 3.5 percent are in Templeton, 1.7 percent are in Oceano, and 5.9 percent are in Nipomo. To the extent that a portion of street maintenance costs can be categorized as non-routine, capital improvements, road improvement fees may be an appropriate funding source.¹⁰

Facility Operations and Maintenance

While facility operations and maintenance costs are not specifically estimated in the Facilities Inventory, each of the identified improvements will have annual maintenance costs associated with them. There are few funding sources available to fund maintenance activities; most funding sources are intended to fund the one-time construction of the improvements or facilities. As such, maintenance costs associated with the types of improvements identified in this report typically will be funded through County or CSD General Fund expenditures and utility rates and charges.

Funding Sources and Financing Mechanisms

Land-Secured Financing Mechanisms

Mello-Roos CFD Special Tax and Bonds

(authorized by Section 53311 et. seq. of the Government Code)

The Mello-Roos Community Facilities Act of 1982 enables the formation of Community Facilities Districts (CFDs) by local agencies, with two-thirds voter approval (or landowner approval in certain cases), for the purpose of imposing special taxes on property owners. Special tax revenue can be used to fund capital or operations and maintenance expenses, or they may be used to secure a bond issuance and pay the debt service. As taxes increase to 50 percent or

⁸ County of San Luis Obispo, Infrastructure and Facilities Capital Improvement Plan, FY2012-13 – FY2016-17, Appendix 6.

⁹ San Luis Obispo County Pavement Management Plan, 2009 Update, page 4.

¹⁰ California Gov't Code Sec. 66001(g) states: "A fee... may include the costs attributable to the increased demand for public facilities reasonably related to the development project in order to (1) refurbish existing facilities to maintain the existing level of service..." The code includes streets as a public facility.

more of the basic 1 percent, there is a risk of adverse impacts on land and home prices which would offset any financing benefit associated with the additional special taxes.

Infrastructure Financing Districts

(authorized by the Infrastructure Financing District Act, Government Code §53395, et seq.)

The County or individual communities could consider establishing an Infrastructure Financing District (IFD) which would create a mechanism for capturing/re-allocating increased levels of property tax revenues from future development towards investments in capital improvements. The establishment of an IFD is complicated and requires approval by every local taxing entity that will contribute its property tax increment AND also requires 2/3 voter approval to form the IFD and issue bonds. (Note: Proposed legislation would reduce the 2/3 vote to 55%). Only public capital facilities of communitywide significance may be financed; an IFD cannot be used to finance operations and maintenance expenses. Unlike former redevelopment tax increment funding, IFD's can only utilize the County's share of property tax increment (and any other agencies who agree to forego their share of tax increment).

Property Tax-Based Funding - General Obligation (G.O.) Bonds

Special districts are empowered by State statutes to issue G.O. bonds which are secured by a property tax rate (as an override to the Constitutionally-limited one percent basic tax rate). G.O. bonds may be utilized particularly if interest rates and issuance costs are favorable compared to other sources of financing. G.O. bonds require voter approval.¹¹

General Fund and CIP Funding

County General Fund Contributions to Capital Improvement Programs

The County's Capital Projects budget includes funding from the Capital Fund and other reserves, grants, departmental funding, bond financing and the General Fund.¹² Policies governing the development and selection of capital improvement projects are set forth in the Budget Policies and Goals approved by the Board of Supervisors each year.

Development-Based Financing Mechanisms

County Public Facility Fees

(authorized under Title 18 of SLO County Code)

New private development in unincorporated San Luis Obispo County is charged a public facility impact fee that is used to fund government, administration, sheriff, park, library, and fire facilities. Development impact fees can only fund capital improvements. In addition, the funding only accrues incrementally over time as new development occurs, limiting its ability to fund major infrastructure that may be required in advance of development.

¹¹ State bonds require majority voter approval, while local bonds require either 55 percent or two-thirds voter approval.

¹² The Capital Fund is dedicated to funding improvements identified in the capital improvement program and typically includes allocations of one-time and/or periodic funds. The General Fund usually relies on ongoing revenue sources to fund ongoing operations, but may allocate some of these general revenues to the Capital Fund.

County Public Facility Fees may be used anywhere in the County; they are not required to be used in the community from which they are generated. Based on projected development between 2010 and 2035, the community of San Miguel could generate \$1.4 million in Public Facility Fees;¹³ Templeton could generate \$4.5 million; Nipomo could generate \$7.8 million; and Oceano could generate \$3.1 million. These calculations are detailed in **APPENDIX B: Public Facility Fees Calculations**.

Table 13 Public Facility Fees Revenue Estimate

Community/ Land Use	Public Facility Fees [1]						Total
	Government	Administration	Sheriff	Park [2]	Library	Fire [3]	
OCEANO							
Residential	\$317,239	\$58,842	\$166,491	\$1,370,010	\$269,744	\$831,765	\$3,014,091
Commercial	\$13,946	\$1,192	\$7,323	\$0	\$4,631	\$34,290	\$61,381
Total	\$331,184	\$60,034	\$173,814	\$1,370,010	\$274,375	\$866,055	\$3,075,473
NIPOMO							
Residential	\$746,727	\$150,356	\$392,161	\$3,225,962	\$635,711	\$2,540,291	\$7,691,207
Commercial	\$40,457	\$3,007	\$21,193	\$0	\$13,407	\$75,305	\$153,369
Total	\$787,184	\$153,363	\$413,354	\$3,225,962	\$649,118	\$2,615,595	\$7,844,576
TEMPLETON [4]							
Residential	\$383,225	\$77,360	\$201,264	\$1,655,605	\$326,264	\$1,313,313	\$3,957,031
Commercial	\$137,383	\$9,695	\$72,215	\$0	\$45,660	\$230,238	\$495,192
Total	\$520,609	\$87,055	\$273,479	\$1,655,605	\$371,924	\$1,543,551	\$4,452,223
SAN MIGUEL							
Residential	\$130,589	\$25,668	\$68,568	\$564,101	\$111,133	\$413,456	\$1,313,515
Commercial	\$22,630	\$1,722	\$11,848	\$0	\$7,496	\$44,214	\$87,910
Total	\$153,219	\$27,390	\$80,416	\$564,101	\$118,629	\$457,670	\$1,401,425

[1] County Public Facility Fees may be used anywhere in the County; they are not required to be used in the community from which they are generated.

[2] Park fees are composed of Land and Development. Those lots which paid a Quimby Fee are exempt from the land portion.

[3] The Fire Fee is the only facility fee on residential development that is not a fixed amount per unit; it varies by unit size. The fee is \$902 per 1,000 square feet. Calculations assume a 2,210 sq.ft. single family home and a 1,000 sq.ft. multifamily unit.

[4] Fire Fees are paid directly to Templeton Community Services District.

Sources: San Luis Obispo County, Planning and Building Department Public Facility Fees Schedule, FY 2011/12; Economic & Planning Systems, Inc.

¹³ According to County staff, there are 263 potential lots in the Community of San Miguel on Vesting Tentative Maps that have yet to record. Each of these maps has until 2018 to be recorded. It should be noted that these lots would not be subject to any new impact fees (other than Public Facility Fees and Road Improvement Fees because these fees already exist) or infrastructure financing plan not in place at this time.

Road Improvement Fees

(authorized by Title 13 of SLO County Code)

Several communities in San Luis Obispo County, including San Miguel (east of Mission Street), Nipomo and Templeton, charge road improvement fees to new residential and commercial development to fund improvements that mitigate the future effects of new development. The fee is assessed per PM Peak Hour Trip, and it varies by community (and sometimes within a community) and by land use type (e.g., residential, retail and other). The funds collected are used to finance a variety of capital road improvement projects as identified in each community's Circulation Study. Though the funds may not be used for road maintenance, major rehabilitation may be an appropriate use of road improvement fees.¹⁴

Based on potential development between 2010 and 2035, the community of San Miguel could generate \$8.6 million in Road Improvement Fees;¹⁵ Templeton could generate \$116.5 million; and Nipomo could generate \$72.4 million. Oceano does not currently collect road improvement fees. These calculations are detailed in **APPENDIX C: Road Improvement Fees Calculations**.

Table 14 Road Improvement Fees Revenue Estimate

Community/ Land Use Category	Amount
OCEANO [1]	-
NIPOMO	
Residential	\$14,810,397
Commercial	\$3,388,952
Total	\$18,199,349
TEMPLETON	
Residential	\$8,871,546
Commercial	\$12,257,655
Total	\$21,129,201
SAN MIGUEL	
Residential	\$1,400,246
Commercial	\$1,517,761
Total	\$2,918,007

[1] Oceano does not currently collect Road Improvement Fees.

Sources: San Luis Obispo County Current Road Fee Schedule,
Effective January 21, 2013; Economic & Planning Systems, Inc.

¹⁴ See Footnote #3 re: use of impact fees for a share of road rehabilitation costs.

¹⁵ According to County staff, there are 263 potential lots in the Community of San Miguel on Vesting Tentative Maps that have yet to record. Each of these maps has until 2018 to be recorded. It should be noted that these lots would not be subject to any new impact fees (other than Public Facility Fees and Road Improvement Fees because these fees already exist) or infrastructure financing plan not in place at this time.

Local Area Development Fees

(authorized by Section 66000 et. seq. of the Government Code)

The County is authorized to create local development impact fees to fund infrastructure improvements, and additional development impact fees (in addition to the existing Public Facility Fees) could be created. For example, a stormwater infrastructure development impact fee could help fund drainage improvements. Local impact fees also can be a mechanism to assure proportional cost sharing and may be a key part of the financing strategy.

Parkland (Quimby) Fees

(authorized by Title 21 of SLO County Code)

In addition to Public Facility Fees, park and recreation improvements are funded through the Quimby Act requirements (for parkland acquisition) through the subdivision process. Quimby Fees are charged according to Area. San Miguel and Templeton are in Area 1 and Oceano and Nipomo are in Area 4. Those lots that pay a Quimby Fee are exempt from the land portion of the Parks Development Impact Fee.

Utility Fees and Connection Charges

Utility connection charges from new development can fund utility infrastructure improvements. Revenue bonds may be issued secured by a utility rate charge base (water and sewer) and may be used for expansion to serve future development, or for reimbursement to the Developer for initial funding of utility facilities.

Benefit Assessment Districts

(authorized by Section 54710 et. seq. of the Government Code)

Under a Benefit Assessment District, property assessments are raised within a specific geographic area, with the proceeds going to provide public improvements or services that benefit the property owners within that area. Only improvements with property-specific benefits (e.g., roads and sidewalk, and sewer and water improvements) can be financed with assessments. There must be a logical relationship between the assessment method and amount and the benefit received by associated property owners or tenants. A special assessment district also requires the voter approval of the owners of a majority of the property within the district.

Different types of assessment districts are supported by specific legislation. Funds generated through a Landscaping and Lighting District (LLD) would be restricted to construction and maintenance of parks, landscaping, and street lighting and can be assessed on both commercial and residential properties.

Developer Capital

Developers are often asked to contribute through project-specific improvements, whether as part of individual project approval or as part of a broader set of area-wide design guidelines/other regulatory requirements. Typical examples might include improvements to the sidewalks in front of the new development and the planting of street trees consistent with the County's or community's direction. Developer contributions can be formalized through Development Agreements (DA) and Certificates of Participation (COP). When applicable, Development Agreements can ensure timely funding of infrastructure development. The agreements should

enable and specify the terms for the establishment of needed infrastructure financing mechanisms.

Developer contributions would also result from the adoption of any area development impact and/or in-lieu fees, which has feasibility implications for development, especially in the context of all fees/exactions/requirements. Developer construction and fee contributions need to be carefully considered to avoid discouraging new development, which, in turn, reduces fee revenues for improvements that exceed their allocation.

It may be possible to reimburse the Developer from other sources at a future time, assuming the sources are not required for other public purposes, and that the reimbursement is for a qualifying expenditure for public purposes. The private capital is at greatest risk, since public debt will be secured by value of the development and will be in the first position for repayment. Private capital depends on the success of the project and repayment from future land and development sales after the successful completion of infrastructure and public facilities.

Grants

Grants provide external funding from regional, state, and federal sources. Many grants require local matches. Apart from local match requirements, there are significant staff costs associated with grant funding, including staff time during the application process and during the project. Grant funding is often limited to capital improvements with maintenance responsibilities falling to the local jurisdiction.

Regional, State, Federal Transportation Funding

Transportation authorities may fund portions of certain regional-serving transportation facilities and improvements. For example, San Miguel, Templeton and Nipomo are each served by State Route 101 and each of these communities requires improvements associated with the Route as described in the 2010 Regional Transportation Plan. Similarly, Oceano is served by State Route 1. Because of the regional-serving nature of State Route 101 and State Route 1, statewide transportation funding may be available to fund these improvements.

CMAQ Improvement Program

One potential grant source is the Congestion Mitigation and Air Quality (CMAQ) Improvement Program. The Congestion Mitigation and Air Quality (CMAQ) Improvement Program was created in 1991 under the Intermodal Surface Transportation Efficiency Act (ISTEA) to fund transportation related projects that are designed to reduce traffic congestion and improve air quality in areas that do not meet air quality standards. CMAQ has seven major project categories:

1. Transit
2. Shared Ride
3. Traffic Flow Improvements
4. Demand Management
5. Pedestrian/Bicycle
6. Inspection/Maintenance (I/M) and other Transportation Control Measures (TCMs)
7. Surface Transportation Program (STP)/CMAQ

Pedestrian and bicycle projects are their own major product category and make up approximately 13 percent of CMAQ projects. Walking and bicycling can also be included in other project categories such as transit by providing bike racks at public transportation stops.

CMAQ Improvement Program funds are available to a wide range of government and non-profit organizations, as well as private entities contributing to public/private partnerships. They are controlled by metropolitan planning organizations (MPOs) and state departments of transportation. Funding is available for areas that do not meet the National Ambient Air Quality Standards (nonattainment areas) as well as former nonattainment areas that are now in compliance (maintenance areas). CMAQ-funded projects may include bicycle and pedestrian facility improvements, bicycle racks and lockers, and individualized marketing initiatives that promote bicycling and walking.

Organizations that want access to CMAQ funds must first ask their Metropolitan Planning Organization (MPO) to place the project on the Transportation Improvement Program (TIP).

Safe Routes to School Program

The Safe Routes to School program is a grant program administered by Caltrans and could be used to fund sidewalk improvements. The Program is designed to encourage more children to walk or ride bikes to school by reducing the barriers to doing so, such as a lack of infrastructure or unsafe infrastructure. Through the passage of AB 57, the Program was extended indefinitely with funding provided from the State Highway Account.

Other Funding Sources

Sales Tax Increase

With two-thirds voter approval, the County could adopt countywide special tax increases, such as a sales tax increase, to fund infrastructure and facility improvements. Depending on the level of tax increase, significant revenues can be generated, though there is often industry and community resistance to such increases. The current sales tax rate (in the four communities) is 7.5 percent.

California Infrastructure and Economic Development Bank (I-Bank)¹⁶

(authorized by Section 63000 et. seq. of the Government Code)

The California I-Bank is State-run financing authority that operates the Infrastructure State Revolving Fund (ISRF) Program. This ISRF Program is a statewide program that provides low-cost loans up to \$10 million per project to local municipal governments for a wide variety of public infrastructure that provide local economic development benefits, such as:

- City streets
- County highways
- Drainage, water supply and flood control
- Educational facilities
- Environmental mitigation measures
- Parks and recreational facilities

¹⁶ More information can be found at <http://www.ibank.ca.gov>.

- Port facilities
- Power and communications
- Public transit
- Sewage collection and treatment
- Solid waste collection and disposal
- Water treatment and distribution
- Defense conversion
- Public safety facilities
- State highways
- Military infrastructure

An application is required for these loans, and loans require a stable and reliable source of repayment. If approved, loan repayment could be funded through a special tax if approved by voters.

4. COMMUNITY ACTION PLAN

This chapter recommends funding goals, policies and actions where appropriate to guide the implementation of the infrastructure and facility improvements identified in the Facilities Inventory and summarized in this report. This Community Action Plan is applicable to each of the four communities discussed in this report. It is expected that each Community Action Plan will be refined as a part of the Community Plan process for each community.

1. Fund infrastructure and public facilities in an equitable manner

1.1 New development shall fund its allocated share of infrastructure costs needed to serve the new development, except where other funding sources are appropriate and available.

1.2 Allocate costs for existing deficiencies among properties based on the benefit received and, where possible and applicable, on a regional basis.

1.3 When applied to existing residents, funding mechanisms for new infrastructure shall be consistent with the benefit received.

1.4 New projects outside of the Community Plan that benefit from infrastructure provided by the Plan shall contribute to infrastructure financing to the extent possible.

1.5 Total infrastructure and financing costs in the Community Plan should not exceed industry standards of financial feasibility.

1.6 Grants and other outside funding, e.g., State and federal sources, shall be pursued for infrastructure funding.

1.7 The Public Facility Financing Plans (PFFP) shall provide a process and mechanism for subsequent reimbursement to private parties who advanced infrastructure funding in excess of their allocated share.

2. Include Public Facility Financing Plans with each community plan

2.1 Based on proposed or reasonably foreseeable development that may occur pursuant to the Community Plans, the PFFPs shall detail all proposed development within the Community, the public facilities required for each Community Plan, the allocation of the costs of the facilities to existing and new development, and proposed methods for equitable and cost-effective funding.

2.2 The PFFPs shall include an infrastructure phasing schedule that links the timing of infrastructure construction to the timing of new residential, commercial, and public facility development to the extent possible.

2.3 The PFFPs shall account for Community-specific circumstances, reflect changing market conditions, and be updated periodically as more refined facility and cost data become available, including updates to the County's Development Impact Fee Program, Road

Improvement Fee Program, and the County's periodic review of its infrastructure master plan, Capital Improvement Program, and other County impacts fees.¹⁷

2.4 The PFFPs shall maximize the use of pay-as-you-go methods (e.g., impact fee revenue, road improvement fee revenue, assessments) as well as reimbursements to best use available revenue, reduce interest costs, and minimize increases in costs due to delays.

2.5 Debt financing shall be considered where necessary to help fund facilities needed in advance of subsequent development and only in limited circumstances where there is a certifiable mechanism to pay for the debt and when other methods are unavailable or inappropriate.

2.6 The PFFPs shall establish criteria and priorities for infrastructure and facilities. Criteria may include community priorities, strategic growth opportunities, health and safety considerations, cost effectiveness, value, economic development potential, beautification, recreation (non-health and safety), and facility maintenance costs (i.e., improvements that may reduce future maintenance and improvement costs).

2.7 The County shall coordinate with the landowners, developers, and service providers in each Community Plan area in the development of Financing Strategies and implementation measures.

2.8 The County shall facilitate discussions with school districts regarding school facility requirements and planning, and seek outcomes that facilitate timely development within the Community Plan area.

2.9 Consistent with the County's adopted CFD policies, at the request of landowners or developers in the Community Plan area, the County should establish a financing district or districts to provide necessary land-secured debt financing.

2.10 The preferred financing mechanism(s) shall create incentives for properties in the Community Plan area to develop desired uses and densities. For example, a per acre rather than a per unit fee encourages development at higher densities.

3. Provide for long-term operation, maintenance and replacement costs

3.1 Developers shall participate in duly established (or to be established) financing mechanisms that provide funding for maintenance of public facilities and/or municipal services such as a CFD special tax for specific, additional services within new development areas, or an assessment for maintenance of facilities.

3.2 The County shall periodically review its infrastructure master plans, Capital Improvement Program, and County impact fees to assure that they are consistent with needs as identified in Community Plans, and consistent with nexus requirements of AB 1600.

¹⁷ For example, reports on the Road Improvement Fee (RIF) Program are prepared and submitted to the Board of Supervisors annually.

APPENDIX A:

Capital Improvement Costs by Community



APPENDIX B:

Sidewalk Cost and Deficiency Calculations by Community





APPENDIX C:
County Public Facilities Fee Calculations
by Community



APPENDIX D:

Road Improvement Fee Calculations by Community